



## SECURITIES AND EXCHANGE COMMISSION

### Proposed Collection; Comment Request

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U.S. Securities and Exchange Commission  
Office of FOIA Services  
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Extension: Rule 17g-5

[SEC File. No. 270-581, OMB Control No. 3235-0649]

Notice is hereby given that pursuant to the Paperwork Reduction Act of 1995 (“PRA”) (44 U.S.C. 3501 et seq.), the Securities and Exchange Commission (“Commission”) is soliciting comments on the existing collection of information provided for in Rule 17g-5 (17 CFR 240.17g-5) under the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) (“Exchange Act”). The Commission plans to submit this existing collection of information to the Office of Management and Budget (“OMB”) for extension and approval.

The Credit Rating Agency Reform Act of 2006 (Pub. L. No. 109-291) (“Rating Agency Act”), enacted on September 29, 2006, defines the term “nationally recognized statistical rating organization,” or “NRSRO” and provides authority for the Commission to implement registration, recordkeeping, financial reporting, and oversight rules with respect to registered credit rating agencies. The Rating Agency Act added a new section 15E, “Registration of Nationally Recognized Statistical Rating Organizations” (15 U.S.C. 78o-7) to the Exchange Act. Exchange Act section 15E(h)(2) provides the Commission with authority to prohibit, or require the management and disclosure of, any potential conflict of interest relating to the issuance of credit ratings by an NRSRO (15 U.S.C. 78o-7(h)(2)).

The Commission adopted, and subsequently amended, Rule 17g-5 pursuant, in part, to section 15E(h)(2) of the Exchange Act.<sup>1</sup> Rule 17g-5 requires the disclosure of and establishment of procedures to manage certain NRSRO conflicts of interest, prohibits certain other NRSRO conflicts of interest, and contains requirements regarding the disclosure of information in the case of the conflict of interest of an NRSRO issuing or maintaining a credit rating on an asset-backed security that was paid for by the issuer, sponsor, or underwriter of the security.

On August 27, 2014, the Commission adopted amendments to Rule 17g-5.<sup>2</sup> The amendments modified the collection of information included in Rule 17g-5 in three ways. First, the Commission added paragraph (a)(3)(iii)(E) to Rule 17g-5 to require an NRSRO to obtain a representation from the issuer, sponsor, or underwriter of an asset-backed security that the issuer, sponsor, or underwriter will post on the website referred to in paragraph (a)(3)(iii) of Rule 17g-5 (“Rule 17g-5 website”), promptly after receipt, any executed Form ABS Due Diligence-15E delivered by a person employed to provide third-party due diligence services with respect to the security or money market instrument.

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<sup>1</sup> See Oversight of Credit Rating Agencies Registered as Nationally Recognized Statistical Rating Organizations, Exchange Act Release No. 55857 (June 5, 2007), 72 FR 33564, 33595-33599 (June 18, 2007); Amendments to Rules for Nationally Recognized Statistical Rating Organizations, Exchange Act Release No. 59342 (Feb. 2, 2009) 74 FR 6456, 6465-6469 (Feb. 9, 2009); and Amendments to Rules for Nationally Recognized Statistical Rating Organizations, Exchange Act Release No. 61050 (Nov. 23, 2009), 74 FR 63832, 63842-63850 (Dec. 4, 2009).

<sup>2</sup> See Nationally Recognized Statistical Rating Organizations, Exchange Act Release No. 72936 (August 27, 2014), 79 FR 55078, 55107-55194 (Sept. 15, 2014) (“Adopting Release”).

Second, the Commission added paragraph (c)(8) to Rule 17g-5 to prohibit an NRSRO from issuing or maintaining a credit rating where a person within the NRSRO who participates in determining or monitoring the credit rating, or developing or approving procedures or methodologies used for determining the credit rating, including qualitative and quantitative models, also: (1) participates in sales or marketing of a product or service of the NRSRO or a product or service of an affiliate of the NRSRO; or (2) is influenced by sales or marketing considerations.

Third, the Commission added paragraph (f) to Rule 17g-5, which provides that upon written application by an NRSRO the Commission may exempt, either unconditionally or on specified terms and conditions, the NRSRO from paragraph (c)(8) of Rule 17g-5 if the Commission finds that due to the small size of the NRSRO it is not appropriate to require the separation of the production of credit ratings from sales and marketing activities and the exemption is in the public interest.

The collection of information obligation imposed by Rule 17g-5 is mandatory for credit rating agencies that are applying to register or are registered with the Commission as NRSROs. Registration with the Commission as an NRSRO is voluntary.

Paragraph (a)(3) of Rule 17g-5 requires disclosures by NRSROs on a transaction by transaction basis. The Commission estimates that the total number of structured finance ratings issued by all NRSROs in a given year is approximately 2,436 and that it would take 1 hour per transaction to make the information publicly available. The Commission therefore estimates that the corresponding annual disclosure burden for NRSROs is approximately 2,436 hours industry-wide.

Paragraph (a)(3) of Rule 17g-5 also requires arrangers to disclose certain information. The Commission previously estimated that there are approximately 200 arrangers subject to the rule. The Commission estimates that it would take approximately 300 hours to develop a system, as well as the policies and procedures, for the disclosures required by Rule 17g-5. In the Adopting Release, the Commission estimated that there are approximately 336 issuers, sponsors, or underwriters of asset-backed securities. Therefore, the one-time burden for the additional 136 respondents is approximately 40,800 hours. The Commission therefore estimates that, over a three-year period, the total industry-wide one-time burden would be approximately 13,600 hours per year when annualized over three years.

Paragraph (a)(3) of Rule 17g-5 also requires disclosures by arrangers on a transaction by transaction basis. The Commission estimates that 336 arrangers would arrange approximately 20 new transactions per year and that it would take 1 hour per transaction to make the information publicly available, resulting in a total annual disclosure burden of approximately 6,720 hours.

Paragraph (a)(3) of Rule 17g-5 also requires disclosure of information by arrangers on an ongoing basis that is used by an NRSRO to undertake credit rating surveillance on the structured finance product. The Commission estimates this disclosure would be required for approximately 125 transactions a month, and it would take each respondent approximately 0.5 hours per transaction to disclose the information. Therefore, the Commission estimates that it would take each respondent approximately 750 hours on an annual basis to disclose such information, for a total aggregate annual disclosure burden of 252,000 hours.

Paragraph (e) of Rule 17g-5 requires NRSROs to submit an annual certification to the Commission. The Commission estimates that it would take each NRSRO approximately 2 hours

to complete the certification, resulting in a total industry-wide annual reporting burden for 10 NRSROs of 20 hours.

New paragraph (a)(3)(iii)(E) of Rule 17g-5 may require NRSROs to redraft the agreement templates they use with respect to obtaining representations from issuers, sponsors, or underwriters as required under Rule 17g-5. The Commission estimates that an NRSRO will spend approximately two hours on a one-time basis to redraft these templates with respect to each issuer, sponsor, or underwriter, for a total industry-wide one-time disclosure burden of approximately 6,720 hours. The Commission therefore estimates that the total one-time disclosure burden to redraft the templates would be approximately 2,240 hours per year when annualized over three years.

New paragraph (a)(3)(iii)(E) of Rule 17g-5 also requires issuers, sponsors, and underwriters to post on the Rule 17g-5 websites any executed Form ABS Due Diligence-15E delivered by a person employed to provide third-party due diligence services. The Commission estimates that issuers, sponsors, and underwriters will need to post approximately 715 Forms ABS Due Diligence-15E on Rule 17g-5 websites per year (in addition to the information that is already posted to the websites). The Commission estimates that it will take the issuer, sponsor, or underwriter approximately ten minutes to upload each form and post it to the website, for a total industry-wide annual disclosure burden of approximately 119 hours.

As a consequence of the new absolute prohibition in paragraph (c)(8) of Rule 17g-5, the Commission believes that an NRSRO will need to update the written policies and procedures to address and manage conflicts of interest the NRSRO must establish, maintain, and enforce under section 15E(h) of the Exchange Act and Rule 17g-5. The Commission estimates that updating

the conflicts of interest policies and procedures would take an NRSRO an average of approximately 100 hours, for an industry-wide one-time reporting burden of approximately 1,000 hours. In addition, Exhibit 7 to Form NRSRO requires an NRSRO to provide a copy of the written policies and procedures in the exhibit. Paragraph (e) of Rule 17g-1 requires an NRSRO to promptly file with the Commission an update of its registration on Form NRSRO when information on the form is materially inaccurate. The update of registration must be filed electronically on the Commission's EDGAR system. The Commission estimates that it would take an NRSRO an average of approximately twenty-five hours on a one-time basis to prepare and file the update of registration to account for the update of the NRSRO's written policies and procedures to address and manage conflicts of interest, for an industry-wide one-time reporting burden of approximately 250 hours. The Commission therefore estimates that the total one-time reporting burden to update the conflicts of interest policies and procedures and to prepare and file an update of registration to account for the update of the NRSRO's written policies and procedures would be 1,250 hours, or approximately 417 hours per year when annualized over three years.

Finally, paragraph (f) of Rule 17g-5 permits an NRSRO to apply for an exemption from the prohibited conflict under paragraph (c)(8) of Rule 17g-5. The Commission estimated that an NRSRO would likely spend an average of approximately 150 hours to draft and submit the application to the Commission. If all 10 NRSROs apply for an exemption, this would result in a one-time industry-wide reporting burden of 1,500 hours, or approximately 500 hours per year when annualized over 3 years.

Accordingly, the total estimated burden associated with Rule 17g-5 is 50,270 hours on a one-time basis ( $40,800 + 6,720 + 1,250 + 1,500 = 50,270$ ) and 261,295 hours on an annual basis ( $2,436 + 6,720 + 252,000 + 20 + 119 = 261,295$ ).

Written comments are invited on: (a) whether the proposed collection of information is necessary for the proper performance of the functions of the Commission, including whether the information shall have practical utility; (b) the accuracy of the Commission's estimate of the burden of the proposed collection of information; (c) ways to enhance the quality, utility, and clarity of the information on respondents; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology. Consideration will be given to comments and suggestions submitted in writing within 60 days of this publication.

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information under the PRA unless it displays a currently valid OMB control number.

Please direct your written comments to: Pamela C. Dyson, Director/Chief Information Officer, Securities and Exchange Commission, c/o Remi Pavlik-Simon, 100 F Street, N.E., Washington, DC 20549 or send an e-mail to: [PRA\\_Mailbox@sec.gov](mailto:PRA_Mailbox@sec.gov).

Dated: March 16, 2015

Brent J. Fields,  
Secretary.

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